

Message Text

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SUBJECT: EC COMMISSION DECISION TO AMELIORATE DIFFICULTIES
IN THE STEEL SECTOR

REFS: A) STATE 95936
B) EC BRUSSELS A-157, APRIL 21, 1975
C) EC BRUSSELS 3381
D) EC BRUSSELS 2927

1. SUMMARY: BECAUSE OF THE CONTINUING DETERIORATION OF THE STEEL SITUATION IN THE EC, THE EC COMMISSION WILL REVISE ITS FORWARD PROGRAM FOR STEEL 1975. IT IS PUTTING TOGETHER A NEW FOUR-MONTH PROGRAM FOR JUNE-SEPTEMBER WHICH WILL SERVE AS AN INDICATIVE PLAN TO AID EUROPEAN STEEL FIRMS TO ADJUST PRODUCTION TO DEMAND SO THAT STEEL PRICES CAN BE MAINTAINED. THE COMMISSION WILL OBTAIN DETAILED PRODUCTION STATISTICS FROM STEEL PRODUCERS ON A BI-WEEKLY BASIS AND FOLLOW INDIVIDUAL COMPANY PRICING AND IMPORTS CLOSELY. THE COMMISSION REMAINS RELUCTANT TO PROPOSE PRODUCTION QUOTAS OR QUANTITATIVE IMPORT RESTRICTIONS. END SUMMARY.

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2. AT ITS MEETING IN LUXEMBOURG ON APRIL 30, THE EC COMMISSION DECIDED ON INITIAL MEASURES WHICH ARE DESIGNED TO STABILIZE STEEL PRICES ON THE EUROPEAN MARKET. AS ANTICIPATED IN REFTELS C AND D, THE COMMISSION, WHILE RECOGNIZING THAT THE PRESENT SITUATION WAS "SERIOUS" REFUSED TO CHARACTERIZE IT AS ONE OF A "MANIFEST CRISIS" UNDER ARTICLE 58 OF THE EUROPEAN COAL AND STEEL (ECSC) TREATY. (UNDER ARTICLE 58, THE COMMISSION, WITH THE ASSENT OF THE EC COUNCIL, COULD SET PRODUCTION QUOTAS FOR STEEL COMPANIES AND IMPOSE QUANTITATIVE IMPORT RESTRICTIONS.)

3. THE COMMISSION SPELLED OUT ITS INTENDED POLICY IN A COMMUNICATION TO THE EUROPEAN STEEL INDUSTRY. THE SUBSTANCE OF THE COMMUNICATION IS THAT THE COMMISSION IS CONCERNED ABOUT THE FALL IN DEMAND FOR STEEL, THE DETERIORATION OF PRICES AND EFFECTS ON EMPLOYMENT AND JUDGES THE SITUATION "SERIOUS". TO AID EUROPEAN STEEL FIRMS TO ADAPT THEIR LEVELS OF PRODUCTION TO REAL DEMAND, THE COMMISSION WILL REVISE ITS "FORWARD PROGRAM FOR STEEL" (SEE REFERENCE A) ON A QUARTERLY BASIS AND GO INTO GREATER DETAIL. IN ORDER TO PREPARE THE REVISED PROGRAM AND TO HAVE A BASIS FOR ANY ACTIONS THAT MAY EVENTUALLY BE CALLED FOR, THE COMMISSION REQUESTS THAT STEEL COMPANIES COOPERATE FULLY IN PROVIDING IT WITH DETAILED PRODUCTION INFORMATION ON, WE UNDERSTAND, A BI-WEEKLY BASIS.

4. THE COMMUNICATION PUTS THE STEEL FIRMS ON NOTICE THAT IT WILL BE PARTICULARLY VIGILANT REGARDING THEIR PRICING POLICIES AND WILL REINFORCE ITS SURVEILLANCE TO ASSURE THAT PRICE LISTS ARE HONORED AND THAT ILLEGAL REBATES ARE NOT BEING OFFERED BY THE COMPANIES. THE COMMISSION COMMUNICATION ALSO ASSURES THE INDUSTRY THAT IT WILL CLOSELY FOLLOW THE DEVELOPMENT OF STEEL IMPORTS AND THE INCIDENCE OF IMPORTS ON PRICE LEVELS.

5. THE COMMISSION IS MOVING RAPIDLY TO PUT TOGETHER A REVISED FORWARD PROGRAM FOR THE FOUR-MONTH LIMITED OFFICIAL USE

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PERIOD JUNE-SEPTEMBER 1975. COMMISSION OFFICIALS ARE HOLDING MEETINGS WITH REPRESENTATIVES OF INDUSTRY, STEEL BUYERS, LABOR UNIONS AND GOVERNMENT OFFICIALS MAY 5-7. IT IS HOPED THAT THE COMMISSION WILL APPROVE THE REVISED PROGRAM ON MAY 14 AND THE CONSULTATIVE COMMITTEE OF THE ECSC WILL GIVE ITS APPROVAL ON MAY 20. BECAUSE DETAILED PRODUCTION FIGURES BY CATEGORY AND DETAILED MARKET DATA ARE NOT YET AVAILABLE, THE JUNE-SEPTEMBER

FORWARD PROGRAM ESTIMATES WILL BE LIMITED TO CRUDE STEEL PRODUCTION AND DEMAND ON A COUNTRY-BY-COUNTRY BASIS. THE COMMISSION HOPES THAT STEEL PLANTS WILL ADJUST THEIR PRODUCTION TO THE PROGRAM'S INDICATIONS. (PRESS REPORTS STATE THAT THE LATEST COMMISSION INFORMATION IS THAT EC STEEL PRODUCTION IN 1975 WILL BE A LITTLE OVER 140 MILLION TONS OF CRUDE STEEL. THE FORWARD PROGRAM ESTIMATED PRODUCTION AT 146.5 MILLION TONS.)

6. REGARDING STEEL IMPORTS, IN ADDITION TO THE CLOSER SURVEILLANCE MENTIONED IN THE COMMUNICATION (SEE PARA 4 ABOVE), WE UNDERSTAND THAT COMMISSION OFFICIALS WILL DISCUSS THE STEEL SITUATION IN THE MIXED COMMITTEES THAT EXIST BETWEEN THE ECSC AND JAPAN, SWEDEN, AUSTRIA AND YUGOSLAVIA.

7. COMMENT: THE COMMISSION REMAINS VERY RELUCTANT TO GO BEYOND THE NON-OBLIGATORY MEASURES DESCRIBED ABOVE AND HOPES THAT PRICE SURVEILLANCE AND THE INDICATIVE PROGRAM WILL BRING ABOUT SELF-DISCIPLINE BY EUROPEAN STEEL PRODUCERS. IF THE SITUATION CONTINUES TO DETERIOATE, A NEXT STEP, ACCORDING TO A COMMISSION OFFICIAL, WOULD BE FOR THE COMMISSION TO SUGGEST TO INDIVIDUAL PRODUCERS WHAT IT CONSIDERED TO BE APPROPRIATE PRODUCTION. THIS WOULD STILL FALL SHORT OF OBLIGATORY PRODUCTION QUOTAS. MYERSON

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